



State of Utah

Department of  
Natural Resources

ROBERT L. MORGAN  
*Executive Director*

Division of  
Oil, Gas & Mining

MARY ANN WRIGHT  
*Acting Division Director*

OLENE S. WALKER  
*Governor*

GAYLE F. McKEACHNIE  
*Lieutenant Governor*

January 14, 2005

CERTIFIED RETURN RECEIPT  
7099 3400 0016 8896 1621

Tony Christofferson  
H.E. Davis Construction, Inc.  
525 West Arrowhead Trail  
P.O. Box 488  
Spanish Fork, Utah 84639

Subject: Requirement to Post Bond, H.E. Davis Construction Inc., Henry 1&2,  
M/023/023, Juab County, Utah

Dear Mr. Christofferson:

On March 29, 2004, the US Forest Service and the Division of Oil, Gas and Mining met with you at the Division offices, to discuss the future permitting and bonding requirements related to the Henry 1& 2 mine. On May 18, 2004 we held an on-site conference to discuss permitting concerns.

That leads us to the fact that your deadline, which was finalizing all permitting concerns by August 1, 2004, was set back based on you completing maps of the property and submitting a complete updated Large Mine Plan. The Division received this plan on October 18, 2004.

The current reclamation surety bond, which the US Forest Service holds (Certificate of Deposit # 0912, issued by Far West Bank, Salem Branch), is under the name of H.E. Davis and Sons in the amount of \$33,000. The Division has never finalized the permit transfer between H.E. Davis and Sons and H.E. Davis Construction, Inc. or asked for an updated surety.

Therefore, the purpose of this letter is to advise you that in order to complete the transfer, we will need an updated surety in the amount of \$80,000 to cover the existing mining disturbance and that proposed in the new Large Mine

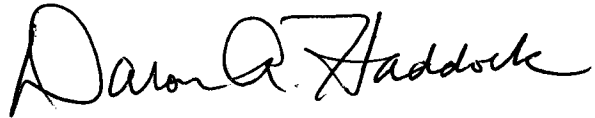
Tony Christofferson  
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Application submitted October 18, 2004. The bond amount may need to be adjusted either up or down once the plan is finally approved.

The surety must include both the US Forest Service and the Division of Oil, Gas, and Mining as beneficiaries and be accompanied by a Reclamation Contract under the name of H.E. Davis Construction, Inc. The reclamation Contract requires a proper legal description for the mine with accompanying map. Once the US Forest Service approval is received and the Division has completed the large mining permit approval the transfer document can be finalized and the operation may continue mining.

If you have any questions or concerns regarding this letter, please feel free to call me or Tom Munson at (801) 538-5325 and 538-5321 respectively.

Sincerely,

A handwritten signature in black ink that reads "Daron R. Haddock". The signature is fluid and cursive, with the first name "Daron" being more prominent than the last name "Haddock".

Daron R. Haddock  
Permit Supervisor  
Minerals Regulatory Program

DRH:tm:ib

cc: Joel Nowak & Tom Shore, USFS Sanpete Ranger Dist.  
Tom Lloyd, USFS, Price Ranger Dist.  
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